



Department of Justice

United States Attorney Gregory G. Lockhart
Southern District of Ohio

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CONTACT: DOJ TAX
(202) 514-2008
TDD (202) 514-1888

CINCINNATI FINANCIAL ADVISOR PLEADS GUILTY TO CONSPIRACY IN OFFSHORE INSURANCE TAX SCAM FOR BUDDY'S CARPET

CINCINNATI, OHIO – Nathan J. Hochman, Assistant Attorney General for the Tax Division, United States Department of Justice, and Gregory G. Lockhart, United States Attorney for the Southern District of Ohio, announced today that Milton Liss, age 64, of Cincinnati, Ohio, pleaded guilty to one charge of conspiracy to defraud the United States in the criminal case brought against himself, the former owners of Buddy's Carpet Leif D. Rozin and Burton B. "Buddy" Kallick, their in-house counsel Alan Koehler, and a financial planner Bruce Cohen. The Honorable Susan J. Dlott of the United States District Court accepted Liss's plea.

On October 5, 2005, Mr. Liss was indicted on charges of conspiracy to defraud the United States (18 U.S.C. § 371) and assisting in the preparation and filing of false income tax returns (26 U.S.C. § 7206(2)) for Mr. Rozin and Mr. Kallick, and their company, Rozin, Inc. dba Buddy's Carpet. Mr. Liss operated an insurance agency in Cincinnati, Ohio called Signature Associates.

Liss admitted in District Court today that from 1998 through 1999, he marketed, promoted, and sold an insurance product from an insurance company in the U.S. Virgin Islands called Caduceus Life and Security Trust called a "loss-of-income" policy, and that he marketed, promoted, and sold this so-called insurance product as a tax deduction. In addition, Liss admitted that Rozin and Kallick, with his and the assistance of others had Buddy's Carpet purchase two of these policies in October 1998 for \$1.2 million and that Rozin and Kallick received over \$1 million back in trust accounts established by Koehler for Rozin and Kallick, which Liss directed. According to Liss, he and his co-conspirators also agreed in the Summer of 1999 to have Buddy's Carpet purchase four additional loss-of-income policies so that Buddy's Carpet could take a \$625,000 expense on the company's 1998 tax return, which was then being prepared for filing. Significantly, Liss admitted that he and his co-conspirators submitted policy applications that were backdated to gain a tax advantage.

Liss also admitted that he was aware that Rozin, Kallick, and Koehler bought more loss of income policies submitted backdated loss-of-income insurance policy applications in December 1999, just two weeks before the scheduled sale of the company in early January 2000. He knew that Rozin, Kallick, and Koehler were having the company purchase the two additional loss-of-income policies to create a deductible expense rather than for legitimate business or insurance purposes and that Rozin, Kallick, and Koehler were backdating the December 1999 applications for no legitimate business purpose.

Finally, Liss admitted that he, Rozin, Kallick, and Koehler split the commissions on the August 1999 and the December 1999 purchases, as well as others.

Burton B. "Buddy" Kallick passed away in January 2007 and is no longer a defendant in this case. His partner Leif Rozin and former in-house counsel Koehler are scheduled to proceed to trial on Monday, April 7, 2008 before Judge Dlott on similar charges. Mr. Cohen pled guilty to the same conspiracy charge in May 2007 and is awaiting sentencing.

Assistant Attorney General Hochman and United States Attorney Lockhart thanked Tax Division Trial Attorneys Richard M. Rolwing and Patrick J. Murray, who are prosecuting the case. They also thanked the special agents of the Internal Revenue Service whose assistance was essential to the successful investigation and prosecution of the case. On the conspiracy conviction, Mr. Liss faces a maximum potential sentence of five (5) years in jail, followed by up to three (3) years of supervised release, and a fine of \$250,000. Judge Dlott will set the sentencing of Mr. Liss for a later date.

Additional information about the Justice Department's Tax Division and its enforcement efforts may be found at www.usdoj.gov/tax.

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